

CITY OF LENOX, IOWA

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD
JULY 1, 2015 THROUGH JUNE 30, 2016

CITY OF LENOX, IOWA
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CITY OF LENOX, IOWA
OFFICIALS
June 30, 2016

(Before January, 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Karen Zabel	Mayor	January, 2016
Nick Custer	Council Member	January, 2018
Jo Adams	Council Member	January, 2018
Clint Curtis	Council Member	January, 2016
Mike Bowman	Council Member	January, 2016
Hugh Vogel	Council Member	January, 2016
Tia Samo	City Administrator	Indefinite
Dawne Bowman	City Clerk	Indefinite
James Varley	City Attorney	Indefinite

(After January, 2016)

Melissa Douglas	Mayor	January, 2018
Nick Custer	Council Member	January, 2018
Jo Adams	Council Member	January, 2018
Mike Bowman	Council Member	January, 2020
Hugh Vogel	Council Member	January, 2020
Paula Borland	Council Member	January, 2020
Tia Samo (Resigned May, 2016)	City Administrator	
Allison Kitzman (Started May, 2016)	City Administrator	Indefinite
Dawne Bowman	City Clerk	Indefinite
James Varley	City Attorney	Indefinite

Gronewold, Bell, Kyhnn & Co. P.C.

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Mayor
and Members of City Council

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Lenox for the period July 1, 2015 through June 30, 2016. The City of Lenox's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2016 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.

To the Honorable Mayor
and Members of City Council

7. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
8. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
9. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
10. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
11. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
12. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
13. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
14. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
15. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had we performed additional procedures, or had we performed an audit of the City of Lenox, additional matters might have come to our attention that would have been reported to you.

To the Honorable Mayor
and Members of City Council

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Lenox and other parties to whom the City of Lenox may report. This report is not intended to be and should not be used by anyone other than these specified parties.

Geme Wahl, Ben, Kyhn & W.P.C.

Atlantic, Iowa
January 5, 2017

DETAILED RECOMMENDATIONS

CITY OF LENOX, IOWA

Detailed Recommendations

For the period July 1, 2015 through June 30, 2016

- (A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Cash - handling, reconciling and recording.
- (2) Receipts - opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll - recordkeeping, preparation and distribution.
- (5) Utilities - billing, collecting, depositing and posting.
- (6) Financial reporting - preparing and reconciling.
- (7) Journal entries - preparing and journalizing.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) Business Transactions - Business transactions between the City and City officials or employees which may represent conflicts of interest are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Tia Samo, City Administrator Owner of Samo Lawn Care	Lawn Care	\$ 3,770

In accordance with Chapter 362.5(K) of the Code of Iowa, the above transaction was made upon the City receiving a competitive bid in writing, publicly invited and opened.

- (C) Payroll - Timesheets are not prepared by all employees. Also, available timesheets did not include evidence of supervisory review.

Recommendation - Timesheets should be prepared by all employees and should be reviewed and approved by supervisory personnel.

- (D) City Council Meeting Minutes - The City Council minutes do not include a summary of the total disbursements nor the total receipts for each fund.

Recommendation - The City should include in the Council minutes a summary of the total disbursements and receipts for each fund for the month.

CITY OF LENOX, IOWA

Detailed Recommendations - Continued

For the period July 1, 2015 through June 30, 2016

- (E) Urban Renewal Annual Report - The City's TIF revenues and ending cash balance of the Special Revenue, Tax Increment Fund reported on the Levy Authority Summary do not agree with the City's records.

Recommendation - The City should ensure the balances reported on the Levy Authority Summary agree with the City's records.

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